

ELLIOTT & ELLIOTT, P.A.  
ATTORNEYS AT LAW  
721 OLIVE STREET  
COLUMBIA, SOUTH CAROLINA 29205  
[selliott@elliottlaw.us](mailto:selliott@elliottlaw.us)

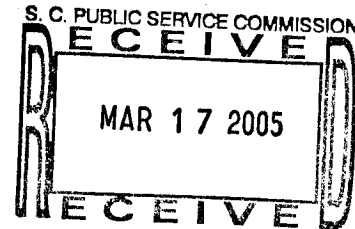
SCOTT ELLIOTT

TELEPHONE (803) 771-0555  
FACSIMILE (803) 771-8010

March 17, 2005

**VIA HAND DELIVERY**

Mr. Charles Terreni  
Chief Clerk of the Commission  
SC Public Service Commission  
P. O. Drawer 11649  
Columbia, SC 29211



RE: Application of Development Service, Inc., for approval of  
New Schedule of Rates and Charges for Sewage Service Provided  
to Commercial Customers in all areas served.  
Docket No.: 2004-212-S

Dear Mr. Terreni:

Enclosed please find for filing an original and ten (10) copies of the Return to Petition for Rehearing or Reconsideration and Motion for Clarification filed on behalf of Development Service, Inc. in the above-captioned matter. By copy of this letter, I am serving all parties of record.

I have enclosed an extra copy of this return which I would ask you to date stamp and return to me in the enclosed self-addressed, stamped envelope. If you have questions, please feel free to contact me.

Sincerely,

ELLIOTT & ELLIOTT, P.A.

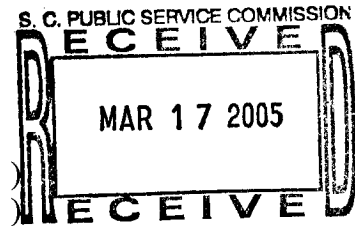
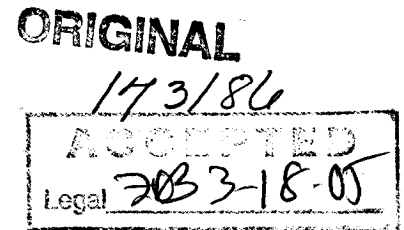
Scott Elliott

SE/jcl

Enclosures

c: All parties of record w/enc.

BEFORE  
THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
DOCKET NO. 2004-212-S



IN RE: Application of Development Service, Inc. for Approval  
of New Schedule of Rates and Charges for Sewerage  
Service Provided to Residential and Commercial  
Customers in all areas Served.

**RETURN TO PETITION FOR REHEARING OR RECONSIDERATION AND  
MOTION FOR CLARIFICATION**

Development Service, Inc. (DSI), for the reasons set out, would object to the Petition for Rehearing or Reconsideration of the Office of Regulatory Staff (ORS), but would join in part the ORS motion for clarification.

1. **Performance Bond.** The South Carolina Public Service Commission has required DSI to provide its performance bond in the amount of \$100,000 by the end of construction of the wastewater treatment plant of Bush River Utilities, Inc. which treats DSI's sewage. The ORS objects to the Commission's providing DSI the opportunity to procure and pay for a performance bond in the minimum amount. Because the evidence of record reflects the difficulty which DSI will have in obtaining the performance bond required, the Commission properly acted within its discretion to set DSI's performance bond at the minimum amount of \$100,000 and to provide DSI a reasonable time in which to obtain the performance bond required.

First, DSI has on file with the Commission a surety bond which as the record bears out satisfied all previous requirements of this Commission. Moreover, the evidence of record reflects that the required performance bond may not be immediately available

and, if available, may be difficult to obtain. While the ORS urges this Commission to require a much higher bond, the ORS testimony does not reflect that the performance bond required by this Commission is available to DSI at this time. The witness Keith Parnell testified that it was uncertain that such a bond was available.

DSI and its shareholders have committed all of their assets to the completion of the construction upgrades necessary for Bush River Utilities, Inc. and Midlands Utility, Inc. to comply with the regulatory requirements of the South Carolina Department of Health and Environmental Control (DHEC). The cost to comply with the regulatory requirements of DHEC and this Commission is considerable. DSI and its owners have committed all of their respective assets to secure bank financing in their efforts to comply with all regulatory requirements. Accordingly, given the uncertainty of the availability of the performance bond required, the cost of compliance with the regulatory requirements, and DSI's good faith in meeting its responsibilities to this Commission, DHEC and its customers, this Commission acted properly within its discretion in granting DSI the opportunity to obtain the bond required.

Second, the Commission acted within its discretion to set the bond at \$100,000. No customer intervened to object to DSI's request for increased rates or to complain of the quality of DSI's service. Indeed, ORS witness Dawn Hipp testified that DSI provided its customers with adequate service. As stated, DSI and its shareholders have shown good faith in complying with all regulatory requirements. DSI and its owners have pledged all of their assets to comply with the regulatory processes. Therefore, this Commission acted well within its discretion to set the bond at \$100,000.

2. **ORS Audit.** In granting Phase-II of the rate increase to DSI, the Commission ordered DSI to undergo an audit from the ORS prior to implementing the second rate increase. The Commission ordered:

Prior to the Company implementing Phase-II of the rate increase, the Company shall undergo an audit from the Office of Regulatory Staff. Further, prior to entering Phase-II, DSI shall be in compliance with all SCDHEC regulations. In addition, prior to implementing Phase-II, the Company must be maintaining its books and records according to the NARUC System of Accounts, and must post a \$100,000 performance bond as discussed above. The Company must certify its compliance with all of these requirements before entering Phase-II of the rate increase. Further, ORS must certify to this Commission that it has performed the required audit, and the results of that audit. Should the audit reveal non-compliance with Commission directives in this matter, the Company may not implement Phase-II of the rate increase until further Order of the Commission. In addition, DHEC must certify compliance of the Company with all of its requirements to the Commission. We cannot stress enough the necessity for compliance with all directives of this Commission before implementation of Phase-II of the rate increase. Commission Order at Page 34.

By its motion, ORS expresses some uncertainty as to the scope of the audit required of it and in essence requests authority to perform audits of revenues, expenses, allocations and collection practices. The order requires no such audits.

Based on the Commission's order, it is clear that upon completion of the construction of the upgrade to the wastewater treatment facilities of Bush River Utilities, Inc., and prior to DSI implementing the Phase II rates, DSI must submit certain objective evidence to the ORS for audit, to wit:

1. Certification by DHEC that DSI is in compliance with all DHEC requirements and regulations.
2. Evidence that DSI is maintaining its books and records according to the NARUC System Accounts;
3. Evidence that DSI has posted a \$100,000 performance bond;
4. Evidence that the Bush River construction is complete at the cost set out in Finding No. 13 on Page 26 of the Order;

The Commission's order is self executing. The evidence to be submitted by DSI is easily verifiable by objective review or audit. After DSI has submitted the required information to the ORS, and after the ORS confirms the accuracy of the submission, the Phase II rates may be implemented. Beyond the forgoing, this Commission did not order the ORS to conduct further audits of DSI operations or management and accordingly, DSI would object to any request in the ORS Motion for Clarification which would subject DSI to any audits of revenues, expenses and allocations and collection practices.

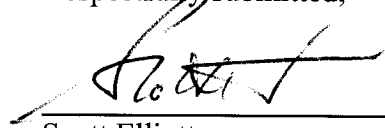
The ORS does offer constructive suggestions with respect to the procedure to be followed with respect to the audit. While implicit in the Commission's order, DSI must be permitted, if not required, to file the evidence required by the above quoted order with the Commission. The ORS must be permitted, if not required, to serve its findings upon DSI. While implicit in the Commission's order, the parties must be permitted to seek relief from this Commission in the unlikely event the parties cannot agree upon the efficacy of the evidence. Accordingly, DSI respectfully joins with the ORS in seeking clarification from the Commission of the procedure by which the parties are to file and serve the required evidence and certification with respect to the ORS audit and of the procedure by which the parties may seek relief from the Commission to protect their rights and enforce their remedies under the Commission's order.

The Commission's order is in all other respects clear and unambiguous.

Based on the forgoing, DSI would respectfully object to the Petition for Rehearing or Reconsideration submitted by the ORS, and would further urge this Commission to reject the ORS motion to expand the scope of its authority in performing the audit required prior the implementation of Phase-II rates. DSI would request of the

Commission that it outline the procedure with respect to the ORS audit and set out the method of petitioning the Commission for relief from any failure of compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott Elliott", is written over a horizontal line.

Scott Elliott  
ELLIOTT & ELLIOTT, P.A.  
721 Olive Street  
Columbia, South Carolina 29205  
(803)771-0555

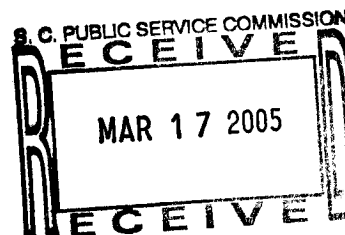
March 17, 2005


## CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of DSI's Return to Office of Regulatory Staff's Petition for Rehearing or Reconsideration and Motion for Clarification on behalf of Development Service, Inc., indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE:            Application of Development Service, Inc., for approval of new schedule of rates and charges for sewage service provided to residential and commercial customers in all areas served.  
Docket No. 2004-212-S

PARTIES SERVED:            Shannon Bowyer Hudson, Esquire  
                                 Florence P. Belser, Esquire  
                                 Office of Regulatory Staff  
                                 P. O. Box 11263  
                                 Columbia, SC 29211



  
Marcia L. Walters

March 17, 2005